Some Aspects of Banking Theory. By WILLIAM HOWARD STEINER. New York: W. D. Gray, 1920. Pp. 158. Paper, $1.30; cloth, $1.75.

This interesting book considers the place which banking holds in modern economic society. The limitation implied in the title is seen in the omission of full discussion of the reserve problem and the effect of banking upon the movement of general prices. The analysis aims to be functional and to be on what the author calls the "real," not the pecuniary, level.

Banking is considered as a specialized technique dealing with the supply of capital. Its evolution is traced in terms of function. Emphasis is placed on the fact that banking has to do with the production, not merely the circulation, of goods. The author recognizes two pools of capital, the investment and the commercial. The investment pool furnishes permanent capital. In general, those who save this capital and those who use it are separate classes. The commercial pool furnishes circulating capital. This, in general, business men as a class save and lend to themselves. As a by-product of the function of supplying capital, commercial banks furnish currency. The commercial bank in performing the currency function is the recipient of credit.

Commercial banking receives considerably more space than investment banking. Its function is to bridge the time between the sale of goods and the payment of the purchase price. The various forms of loans are considered. The assistance of the bank is traced in the case of a commodity passing through several stages of production. After he has discussed the action of both systems, the author indicates the problems of the control and the interrelation of the two systems.

The work is not controversial in form. However, the author indicates the points in which his theory differs from others and states his reasons for differing. He insists that Taylor has inverted the relationship between loans and deposits. Deposits by business enterprises supply capital against existing loans; deposits are not sustained by new loans. Veblen's loan credit analysis is held to be partial and if applied as a general theory, misleading. The author rejects Anderson's view that commercial loans are non-liquid and inferior, as banking assets, to loans collateralled by securities. He attacks the view held by Hobson, Fisher, Veblen, and others, which he calls the "pawn shop" theory of banking—that the bank coins wealth into purchasing power. Bank reserves are held to operate as a check on the expansion of credit, rather than to be a means of redeeming deposits. The view that "the volume

of deposit credits in existence varies with the amount of unrealized or unfixed claims upon society" (pp. 63–64) is in sharp contrast with the view presented by Phillips in his *Bank Credit*, that deposits are a function of cash. (Phillips is not mentioned.)

Some of those whose theories have been attacked by the author will, no doubt, reply by questioning the validity of the method used by him in avoiding the discussion of the problems in pecuniary terms. It is to be hoped that he plans to give statistical illustration or verification of some of the points wherein he differs from others. His position as assistant director of the Division of Analysis and Research of the Federal Reserve Board ought to provide him with facilities to do this.

Mr. Steiner modestly disclaims much originality. However, he has evidently studied the literature in the field thoroughly and has developed, as the result of that study, a consistent theory of banking which contains a considerable amount that is new.

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